

## Investigation Process

### Territory Revenue Office (TRO)

Our aim is to administer Northern Territory revenue laws in an equitable, efficient and client focussed manner.

Our tax systems rely on the honesty of taxpayers to voluntarily comply with their obligations.

### Why investigate?

Investigations are conducted to ensure taxpayers pay the correct amount of tax or duty.

As a part of the investigation process we assist taxpayers to update their tax affairs, and raise the businesses' awareness of their current and future tax obligations.

This protects the integrity of our tax system and ensures equity for all taxpayers.

The investigation process also helps identify taxpayer's education needs, and issues that require improvements via policy and legislation.

### How are cases selected?

A number of methods are used to select cases for investigation. Most often, investigations are conducted as a result of our research and data matching projects.

### What if you are selected?

An investigator will:

- contact you advising that an investigation will be conducted;
- explain the process and scope of the investigation;
- specify what records are required to be produced;
- allow reasonable time for you to produce records;
- make an appointment with yourself, or your representative; and
- confirm all arrangements.

During the process the investigator will ascertain your compliance with the legislation by:

- interviewing you (or your representative);
- making other inquiries;
- examining the requested financial and business records; and
- requesting further records or clarification.

Prior to and during the investigation, you have the opportunity to make a voluntary disclosure of your liability.

At the conclusion of the investigation you will receive written advice on the outcome and notice of any proposed action.

All TRO staff are bound by secrecy provisions. Information gathered during an investigation is treated with strictest confidence and is not used or divulged except for the purposes required by law.

### What power does an investigator have?

Under NT tax laws an investigator is permitted to:

- gain access to buildings and property;
- inspect, examine, copy and seize books, documents or records;
- require a person to produce records;
- require a person to answer questions and provide information; and
- require a person to give reasonable assistance and facilities.

Penalties can be imposed under the relevant legislation if you fail to comply with the investigator's lawful request(s).

### How to prepare?

- Ensure all information and records requested by the investigator are ready for examination when needed.
- Provide accurate and complete information promptly to help reduce the length of the investigation process.
- Inform the investigator of any discrepancies or undeclared tax liabilities you may have found.

Note: Voluntary disclosure will reduce any penalties imposed under the legislation.

- Seek advice from your legal or financial representative if the matters under investigation are complex.
- Direct any questions you have regarding the investigation process to the investigator.

### Before an investigation, you have the right to:

- request reasonable time to produce records;
- negotiate with the investigator a time and place for the initial interview; and
- receive written confirmation of the agreed arrangements.

### During an investigation, you have the right to:

- be treated in a professional and courteous manner by the investigator;
- view the investigator's identification authority.
- involve your financial or legal representatives;
- ask how long the investigation will take;
- expect your affairs to be treated with strict confidentiality;
- obtain a receipt for records or other material the investigator removes from your office; and
- be given the opportunity to explain the reasons for any irregularities and discrepancies.

**After an investigation, you have the right to:**

- receive an explanation of the results or findings;
- ask the investigator how penalty provisions are to be applied;
- ask for an explanation of the objection and appeal process; and
- discuss any aspect of the case with the investigator or the manager.

**Your obligations**

- Provide reasonable assistance and facilities to the investigator.
- Provide complete and honest answers and explanations to questions.
- Provide prompt, full and free access to all relevant records required, including documents, data and systems.
- Maintain proper books and accounts in the English language and preserve these records for a period of not less than five (5) years.

**Interest and penalty tax**

Under the *Taxation Administration Act*, interest and penalty tax is payable on a tax default. A tax default is a failure by a taxpayer to pay the whole or part of the tax that they are liable to pay under a taxation law. This includes not paying tax on time.

Interest, comprises of two rates being a premium rate (currently 7 per cent and 8 per cent from 1 July 2008) and a prescribed market rate which is reviewed annually. Current and historical rates are published on the TRO website [www.revenue.nt.gov.au](http://www.revenue.nt.gov.au).

Penalty tax is an administrative sanction that is intended to ensure compliance with the taxation laws by requiring taxpayers to pay an amount in addition to tax that is unpaid. It should be noted that penalty tax is payable in addition to interest, but is not payable on any interest or penalty tax that has not been paid.

The amount of penalty tax is set at a default rate of 25 per cent of the amount of tax unpaid. However, this rate will be reduced or increased depending on the circumstances in each case.

For example, penalty tax will be reduced to 10 per cent if the Commissioner is satisfied that the taxpayer took reasonable care to comply with the taxation law and increased to 75 per cent of the amount of tax unpaid, where the Commissioner is satisfied that the tax default arose wholly or partly

from the intentional disregard of a taxation law.

For more detailed information, refer to Commissioners Guideline CG-GEN-002: *Interest and penalty tax* which can be accessed on TRO's website [www.revenue.nt.gov.au](http://www.revenue.nt.gov.au).

**Payment**

An assessment will be issued to you should there be any underpayment of duty or tax. The assessment must be paid in full by the date specified in the assessment notice.

If you are unable to make the required payment by its due date, you may forward a written application, nominating alternative payment arrangements for consideration. The application must be accompanied by financial information, including detailed cash flow projections.

Interest is generally charged on amounts payable between the time when the debt becomes due and payable, to when it is paid in full.

Alternative payment arrangements will only be allowed under limited circumstances.

**Objections and appeals**

A person who is dissatisfied with a decision, determination or assessment made by the Commissioner affecting their tax liability may, within a period of 60 days after the issue of notice of the decision, determination or assessment, lodge an objection in writing with the Commissioner.

The statement must be explicit, stating the full grounds of the objection and be accompanied by relevant supporting evidence.

The 60 day period may be extended if the Commissioner is satisfied that the taxpayer has a reasonable excuse for not lodging the objection within the 60 day period.

A person who is dissatisfied with the decision on an objection may, within 60 days after the date of issue of the notice of decision, appeal to the Taxation and Royalty Appeals Tribunal or Supreme Court against that decision. Decisions of the Tribunal may be appealed to the Supreme Court.

Lodgement of any objection or appeal does not affect the liability to pay any tax.

**More information**

If you need more details or clarification of any aspect of an investigation, you should ask the investigator assigned to your case.

For further information contact Territory Revenue Office

GPO Box 154

DARWIN NT 0801

Email: [ntrevenue.ntt@nt.gov.au](mailto:ntrevenue.ntt@nt.gov.au)

Ph: 1300 305 353

Fax: 08 8999 6395

Website: [www.revenue.nt.gov.au](http://www.revenue.nt.gov.au)